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TO RUEHLO/AMEMBASSY LONDON IMMEDIATE 5179  
INFO EUROPEAN POLITICAL COLLECTIVE  
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RUEHRL/AMEMBASSY BERLIN 2169  
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S E C R E T SECTION 01 OF 03 STATE 069684

SIPDIS

E.O. 12958: DECL: 07/06/2019  
TAGS: [ECON](#) [EFIN](#) [KNNP](#) [PARM](#) [PINR](#) [PREL](#)  
SUBJECT: INFORMATION FOR UK DESIGNATION OF IRISL

REF: A. 09STATE058742  
[1](#)B. 08STATE69339

Classified By: ISN Acting A/S Tony Foley for reasons 1.4 (b) and (d).

[1](#)1. (U) This is an action request. Please see paragraph 5.

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SUMMARY AND BACKGROUND  
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[1](#)2. (S) Summary: The Department wishes to provide the UK with information on the proliferation-related activities of Islamic Republic of Iran Shipping Lines (IRISL), in response to a request by the UK to provide such information. In the May 14, 2009 meeting between the United States and EU4 partners on National Coordinated Measures (NCM) against Iran (ref A), the UK requested that all parties send any information that could assist the UK in its effort to designate IRISL using its Counter Terrorism Act. The U.S. has previously provided classified information to the UK on IRISL's proliferation activities (ref B), and now wishes to provide similar information at an unclassified level.

[1](#)3. (S) Insurance: At the May NCM meeting, the UK reported that the two UK-based Protection & Indemnity (P&I) Clubs that provide insurance to IRISL have refused to cease coverage of IRISL vessels absent a legal obligation to do so. P&I insurance is marine insurance against third party liabilities and expenses arising from owning or operating ships. The International Group of P&I Clubs is the umbrella organization for 13 major P&I clubs around the world, including the two clubs that insure IRISL vessels. The coverage offered by the International Group's clubs includes 90 percent of the world's vessels and is the gold standard worldwide.

[1](#)4. (S) Consequences of designation: Our understanding, based on discussions with the UK, is that if the UK succeeds with its plan to designate IRISL using powers under the new Counter Terrorism Act, the two UK-based P&I Clubs would be obligated to cease providing coverage to IRISL. Moreover, the International Group has told HMG that if IRISL is designated, it will no longer offer P&I insurance to IRISL or its subsidiaries. In that case, IRISL could be forced to approach less reputable P&I clubs in Russia or China, or self-insure its fleet. As of November 2008, the International Convention of the Civil Liability for Bunker Oil Pollution Damage requires nearly all ocean-going cargo ships to maintain liability insurance. Since many ports prefer P&I coverage from an International Group club, coverage by a non-Group club could restrict IRISL's access to ports and limit its ability to handle unforeseen problems

once in-port. If IRISL were to self-insure, an accident or spill could necessitate IRISL making a large liability payment to the country and affected persons where the accident occurred, as well as to those with cargo on-board.

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OBJECTIVES/ACTION REQUEST  
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15. (SBU) Washington requests Embassy London deliver the non-paper in paragraph 6 to appropriate host government officials in the foreign affairs and finance ministries, and other appropriate government agencies. Embassy London should pursue the following objectives:

- Provide the non-paper in paragraph 6 on IRISL's proliferation activities, per the UK's request on May 14 in Paris.
- Express our support for the UK's designation of IRISL and our continuing cooperation in the context of the Coordinated National Measures effort.
- Encourage HMG to re-engage with the P&I Clubs to encourage voluntary action based on the information provided.

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NON-PAPER ON IRISL'S PROLIFERATION ACTIVITIES  
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16. (U) BEGIN UNCLASSIFIED NON-PAPER FOR THE UK.

INTERDICTIONS OF IRISL CARGO INVOLVING DESIGNATED ENTITIES

-- Four IRISL-owned vessels were interdicted in 2007 because the vessels were transporting cargoes containing dual-use items to entities that have been sanctioned by the UN Security Council for their role in Iran's missile, nuclear or conventional weapons programs, or to entities acting on their behalf. All of the following activities occurred after the Council imposed sanctions on the entities involved, through the adoption of UN Security Council Resolutions (UNSCRs) 1737 (December 2006) and 1747 (March 2007):

- An IRISL vessel in late 2007 was carrying potassium perchlorate destined for Iran's Defense Industries Organization (DIO). Potassium perchlorate can be used as a propellant for artillery rockets and is useful in the production of solid-fuel for ballistic missiles.
- An IRISL vessel in mid-2007 was attempting to ship electronic parts and machine tools, for possible use in Iran's missile program.
- Another IRISL vessel in mid-2007 was carrying cargo of electronic parts and lathes that could contribute to Iran's nuclear or ballistic missile program.
- An IRISL vessel in mid-2007 was carrying aluminum sheets and plates intended for Iran that could be used in Iran's missile program. Documentation associated with this shipment indicated a connection to Iran's DIO and a DIO subsidiary. DIO was designated in UNSCR 1737 as an entity involved in Iran's nuclear program.

IRISL EMPLOYING DECEPTIVE MEASURES

- IRISL employs deceptive measures to disguise the end user, and/or destination of its cargo, and IRISL's involvement in the transaction.
- During the period 2003 to 2006, we are aware of IRISL ships diverting or attempting to divert from their originally scheduled port calls, probably in order to avoid possible

inspection or seizure of missile-related cargo. Although ships occasionally skip port calls for commercial reasons, we have evidence these diversions were in response to perceived threats of interdiction.

- In mid-2003, an IRISL vessel departed from North Korea carrying probably military items destined for Iran. Instead of going to its original destined port in Iran, it changed course and deviated to the nearest available Iranian port. We believe the change in course was due to fear of being interdicted during its voyage.

- In early 2006, another IRISL vessel attempted to skip one of its destined ports of call. We believe this ship was carrying material for possible use in Iran's missile program.

- In mid-2006, another IRISL ship diverted course and avoided making a scheduled port call, after becoming aware that it might be inspected and its cargo seized in port. We believe this ship was also carrying material for possible use in Iran's missile industry.

-- Skipping port calls where cargo needs to be unloaded probably costs IRISL tens of thousands of dollars, concerns its customers, and from a business perspective makes no sense for IRISL, which is a profit-making venture. It is also likely that the ship captains are not aware of the nature of the cargo that they are carrying, but know only that it is of a special interest to the government of Iran.

-- We are also aware that Iranian entities designated under United Nations Security Council resolutions are using deceptive tactics to obtain materials such as chemicals that could be used in missile fuel. Again, these deceptive tactics include concealing the true identity of the intended Iranian recipient. This is done by changing the name of the recipient to one that is not designated by the United Nations Security Council and changing the dates on paperwork in an

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attempt to provide cover for the shipment to avoid seizure while in transit through other states' ports.

-- We are also aware that IRISL is likely adapting to increased scrutiny of its sensitive cargoes. In late 2007, it appears IRISL changed the policy of one of its shipping lines to avoid refueling while en route to Iran, thus preventing the possibility of inspection and seizure of sensitive cargo. This is the same line that had two of its ships inspected in 2007. Both of these ships were carrying materials, including chemicals prohibited by UNSCRs 1737 and 1747, for Iran's ballistic missile entities that are designated by the UN Security Council.

#### CONTINUED TRANSPORT OF ITEMS FOR DESIGNATED ENTITIES

-- IRISL continues to carry cargo for entities designated by the UN Security Council. As stated previously, four shipments were interdicted in 2007 from IRISL vessels that were carrying dual-use goods destined for entities designated by the UN Security Council, including Sanam Industrial Group, Shahid Bakeri Industrial Group (SBIG), and the Defense Industries Organization (DIO).

-- Other SBIG-related shipments include:

- In early 2008, an IRISL vessel was en route from Dalian, China, to Bandar Khomeini, Iran, carrying a cargo of materials that are useful in the production of solid-fuel for ballistic missiles. The intended recipient was probably SBIG, which is responsible for Iran's solid-fueled ballistic missile program, and designated in UNSCR 1737.

- In mid-2007, an IRISL vessel was en route from Dalian, China, to Bandar Abbas, Iran, carrying a cargo to SBIG. The cargo is useful in the production of solid-fuel for ballistic

missiles.

-- Other DIO-related shipments include:

- In early 2009, the Russian-owned, Cypriot-flagged vessel M/V Monchegorsk was chartered by IRISL to transport a cargo of components for artillery, tank, and small arms ammunition from Bandar Abbas, Iran to Latakia, Syria. Iran's DIO was the shipper of this cargo, and Syria's Industrial Establishment of Defense was the cargo's intended recipient. The shipment violated UNSCR 1747, which prohibits any Iranian export of arms or related materiel.

- In late 2007, an IRISL vessel was carrying a variety of military-related goods from China to Iran that were consigned to a known front company for Iran's DIO.

- In late 2007, an IRISL vessel loaded military-related material supplied by Iran's DIO for delivery to Syria's defense industries.

- In mid-2007, an IRISL vessel also loaded military-related cargo supplied by the DIO for Syria's defense industries.

END UNCLASSIFIED NONPAPER.

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REPORTING DEADLINE  
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¶7. (U) Post should report results within one week of receipt of this cable. Please slug replies for ISN, T, TREASURY, IO and NEA. Please include SIPDIS in all replies.

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POINT OF CONTACT  
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¶8. (U) Washington point of contact for follow-up information is Jennifer Chalmers, ISN/CPI, (202) 647-9715, CHALMERSJA@STATE.SGOV.GOV.

¶9. (U) Department thanks Post for its assistance.  
CLINTON